Inventory Shock

When fast-moving stock items repeatedly fall into a backorder pattern, here's how to jolt them back on track!

By Gordon Graham

Occasionally, every distributor encounters trouble on an important stock item. Something happens that no one could have predicted, and you run out of stock. The supplier's factory has a fire; an important customer has an emergency and buys all your stock in one fell swoop; you open ten boxes in the warehouse to find the wrong material packed inside; you discover a stock record error; and on and on...

None of these situations could have been anticipated, but that doesn't make any difference to the next customer who wants the item. It's a stock item. You've told him in the past that you'd take care of his needs on this item. And now you let him down! You have a good excuse, but the customer isn't very understanding.

Can you avoid making customers mad in this situation? Can your "system" keep you from running out of stock? Frankly, no. When an item is fast-moving, representing significant dollars moving through the inventory each month, you can't afford many months' supply on the shelves. The replenishment order quantity is correctly set to develop a high inventory-dollar turn rate. Hedging against a very unusual condition by laying in excess stock might be OK on just one item, but you'd go broke trying that on all your fast-movers. And who's to say where lightning will strike next?

Any good inventory control system acknowledges the risk of running out of stock. You cannot generate a 100% service level on all fast-moving items. You will run out of almost every item from time to time! For the item we're discussing, that time is now. Something very unusual has happened, and you've run out of stock. Certainly, you'll scramble like mad to offset the effect (buy merchandise from competition, expedite the P.O., etc.), but in most of these "bolt-out-of-the-blue" situations, you can't prevent the stockout. There is going to be a buildup of backorders; and what you do next is very important.

Getting out of rhythm

When you're out of stock on a popular item, customer backorders often pile up until a replenishment shipment arrives from the supplier. In a multi-branch company, it can be even more critical. A central warehouse must supply the needs of satellite branches, as well as their own customers, so branch-transfer backorders add to the accumulation waiting for the next incoming shipment.

What happens when the replenishment shipment finally arrives? *ZAP!* The backorders eat it all up, and you're out of stock again. This time, the wait is a bit longer perhaps. More backorders. In comes a shipment and the same thing happens again—backorders take it all. On this item, your system is now badly out of rhythm.

In time, of course, the item will cease to be a problem for you. Customers will correct the situation by not ordering that item from you! That's not a very desirable solution.

Shock the system

To get this stock item to stop acting like it's non-stock, you have to *shock* it with a hefty jolt of additional merchandise. There's some discomfort involved. You must invest more money into inventory than you'd like—significantly more on an item where you'd like more turns than you'll get. You're already in trouble on the item—losing sales and, perhaps, customers—and you may not get all that business back when you get the item leveled out. The larger investment could backfire, but you really have no choice. The alternative (a *certain* loss of sales and customers), cannot be risked.

You may not be able to prevent a stockout when some very unusual condition occurs, but when you see a stock item repeatedly fall into that backorder pattern, you can take action to jolt it back into a proper cycle. Increase your quantity order for the item to two or three times the usual amount. When the purchase order arrives, you'll have enough material at once to fill *all* the waiting backorders and still be above the order point.

"That's just common sense!," you say. "Of course we'd order more material!" Would you? If you have a computer guiding what to do, you might not. Computers consider sales history to set the ordering controls (when and how much to buy). But in this situation, sales history doesn't give the true picture. You record sales when the backorders are filled and invoiced. Distributors have attempted many methods but never developed an effective way to measure the sales

lost when an item bounces around in a backorder mode. Eventually, you have to bring in enough merchandise to take care of all waiting backorders and leave plenty of stock on the shelf. That will correct the problem.

A few years back, I found out the hard way how seriously sales and profits can be affected by allowing an item to remain in the jerky backorder cycle. A little, cheap item kept experiencing stockouts. The salesmen never actively tried to sell any. We just took orders whenever a customer wanted some. However, we did sell 500 per month. Just like clockwork: 500 every month. We just seemed to be out of stock continually.

The sales history showed a nice, steady 500 per month. We'd order 500. They'd come in and go right out, and the cycle on this was about a month. The computer looked at all this and said, in effect: "Great! 500 per month steady usage! Keep up the good work! Keep buying 500 of this fast-mover! You're getting terrific turns on the item!"

One day, someone asked: "I wonder what would happen if we brought in 1,000 of these?" We tried it. *ZAP!* They went right out. We tried 2,000. Same thing! As we got bolder and bolder in our ordering from the supplier, we continued to sell the whole shipment almost at once! The true demand level for this item turned out to be *15,000 per month*. What a costly lesson!

Are there exceptions?

Absolutely! Remember that this discussion began because a popular, fast-moving item was in trouble—an item that represented significant dollars moving through the inventory each month. What if the item is slower-moving; one that doesn't amount to much money going through the inventory?

The "C" class item—the slow movers—are assigned this designation because they represent few cost-of-sales dollars per time period.

When you run out of one of these, what are the odds that a great number of backorders will build up before the replenishment stock arrives? And what is the normal replenishment quantity on the slower-moving items? It should be five or six months' supply or more! When the regular replenishment order arrives (which likely was placed before you ran out of stock) the higher months' supply covers any waiting backorders comfortably. If it doesn't the item may no longer be slow-moving. Its class is changing. A new set of ordering controls is needed.

Summary

Despite your best efforts and a very well-planned and programmed inventory management system, you will run out of stock once in a while on your most popular stock items. For most distributors, this means that customer backorders will pile up to wait for the next shipment. Often when it does show up, the backorders eat up the entire quantity and the distributor is right back in the soup with his customrs.

Special action is needed to "shock" the item's cycle, to jolt it back to a normal pattern before the customers get tired of the lousy service. Order twice or three times the usual replenishment quantity one time to be able to fill all backorders—and have stock on the shelves above the order point.

With slower-moving items ("C" class, etc.), the normal replenishment quantity should represent six months' to a year's supply. So when a new shipment does arrive from the supplier, it fills all backorders and allows plenty of stock to go to the warehouse also.

Apply this "shock method" only to those fast-moving items that represent significant dollars moving through the inventory each month.

Graham scheduled for NPTA workshop

NPTA's Education and Training Department has scheduled Gordon Graham to address paper merchants on March 20, 1984 in Indianapolis, IN, August 30, 1984 in Boston, MA and February 14, 1985 in Nashville, TN. His one-day interactive workshop, *Successful Inventory Management For The Wholesale Paper Distributor* will deal with key buying and stocking issues designed to improve service and turnover.

For more information on these workshops contact NPTA's Education and Training Department at 516-829-3070.

Inventory management consultant Gordon Graham has designed and installed inventory control systems for distributors for more than 20 years. He conducts seminars for major distributor associations, and assists computer manufacturers in developing practical inventory control software for distributors. His book, Automated Inventory Management for the Distributor *is available from the National Paper Trade Association.*

Gordon Graham

The Manager's Notebook

Are you a workaholic?

Mark Porter, in his book **The Time of Your Life** *(S.P. Publications, 1983), provides the following checklist to determine whether you are a workaholic. This checklist appeared in* **The Time Management Report**.

- *You're never too busy to stop and talk about how busy you are.*
- *When someone talks to you for over five minutes, you look at your watch.*
- *You seldom relax or play because there is always another project to be done.*
- *You are unable to say "no" when you are asked to do something.*
- *You set unrealistic goals for yourself.*
- *You are irritable, disillusioned with people, and depressed much of the time.*
- *Your spouse asks if you have given him or her up for Lent; and your son or daughter thinks an appointment is needed to talk with you.*
- *You never go on vacation because you believe things will fall apart while you're away.*
- *If you do go on vacation, you take more than one book for each day you will be away.*
- *You try to be everywhere at once.*

If you feel driven and exhausted most of the time, you may be a workaholic, and should re-examine your priorities. What you **are** *is more important than what you do.*

Making record keeping easier

Small to medium-size firms find keeping their records to be both time-consuming and expensive, reports the Reseach Institute of America. A good way to save time and money is to use "standard forms" for basic accounting. This will help you track and collect receivables more easily, pay your bills, and monitor finances. There are some 230 different one-write forms available.

The paper clip that killed the computer

It has probably happened to you—a paper clip caught in your photocopier brought it to its knees. But computers have no moving parts, so you are safe, right? Wrong.

Computers are sensitive to very small electrical charges. Dust sticks to things because it is staticly charged. Paper clips, which are stored in magnetic holders, may retain a slight magnetic charge. Be careful where you put the holder **and** *the paper clips. Special mats can help you avoid all static discharges which might play havoc with your computer.*

Successful closings

Not only is the concept of "closing" important in selling, but it is a necessary ingredient in a successful speech. Round out your speech, says authors Flacks and Rasberry in their book **Power Talk**, *by referring to the story, example or illustration you used as the attention-getter at the beginning of your talk.*

Another option is to briefly restate the main thesis or purpose of your talk. But **don't**, *the authors say, close with new information.*

Paper Merchant Sales Report — January, 1984

	NPTA Regions	Sales per selling day January 1984 -compared to- January 1983	Sales per selling day January 1984 -compared to- December 1983	Sales per selling day 1984 year-to-date -compared to- 1983 year-to-date	Days outstanding (accounts and notes) at close of January 1983	Days outstanding (accounts and notes) at close of January 1984	Calendar days' cost* of ending December inventory 1982	Calendar days' cost* of ending December inventory 1983
INDUSTRIAL	1	+ 1.3%	- 1.2%	+ 1.3%	38	42	53	--
	2	+ 1.8%	- 0.7%	+ 1.8%	35	38	49	55
	3	+ 1.4%	- 0.5%	+ 1.4%	34	37	61	58
	4	+ 1.9%	+ 0.2%	+ 1.9%	33	36	60	59
	5	+ 1.0%	- 1.4%	+ 1.0%	33	35	62	62
	6	+ 1.8%	- 1.7%	+ 1.8%	34	39	49	--
	7	+ 0.4%	- 1.3%	+ 0.4%	35	38	60	--
	NY METRO	+ 1.0%	- 1.3%	+ 1.0%	44	44	--	--
	CHICAGO METRO	+ 1.9%	- 0.3%	+ 1.9%	40	51	52	54
	LA METRO	+ 1.4%	- 0.3%	+ 1.4%	47	46	51	47
	US	+ 1.5%	- 0.8%	+ 1.5%	35	39	55	57
PRINTING	1	+ 2.4%	- 0.5%	+ 2.4%	53	51	51	--
	2	+ 2.2%	- 0.9%	+ 2.2%	46	45	67	63
	3	+ 4.1%	+ 1.4%	+ 4.1%	44	40	85	82
	4	+ 3.0%	+ 0.3%	+ 3.0%	45	41	78	68
	5	+ 2.3%	- 0.6%	+ 2.3%	43	43	66	89
	6	+ 1.7%	- 0.1%	+ 1.7%	43	43	83	--
	7	+ 1.4%	- 0.2%	+ 1.4%	41	42	81	86
	NY METRO	+ 2.9%	- 0.8%	+ 2.9%	44	43	64	--
	CHICAGO METRO	+ 2.9%	- 0.2%	+ 2.9%	45	47	67	--
	LA METRO	+ 2.9%	- 1.2%	+ 2.9%	39	38	84	92
	US	+ 2.6%	- 0.3%	+ 2.6%	45	43	74	79

*TO CALCULATE MONTHLY INVENTORY TURNOVER, DIVIDE 365 CALENDAR DAYS BY # OF CALENDAR DAYS COST, EG, 365/73 = 5.00x.

Region 1 CT, ME, MA, NH, RI & VT
Region 2 DE, DC, MD, NJ, NY & PA (excluding NY Metro)
Region 3 AL, FL, GA, NC, SC, TN & VA
Region 4 IL, IN, KY, MI, MO, OH, WV & WI (excluding Chicago Metro)
Region 5 CO, IA, KS, MN, MT, NE, ND SD, WY
Region 6 AK, AZ, CA, HI, ID, NV, NM, OR, UT & WA (excluding LA Metro)
Region 7 AR, LA, MS, OK & TX

NY Metro: NY: New York City, Long Island and Westchester Co.
NJ: Counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union

Chicago Metro: IL: City of Chicago and Cook, DuPage and Lake Cos.
IN: Lake Co.

LA Metro: Cities: Los Angeles, and San Diego
Counties: Los Angeles, San Diego, Orange and Ventura (and neighboring parts of Riverside and San Bernadino)

Selling Days

The actual number of days a firm was open for business or that the sales people made customer calls [calendar days less weekends (if applicable) and holidays]. By supplying selling days of each firm, the sales per selling day are standardized according to actual business conditions or company policies.

Days Outstanding

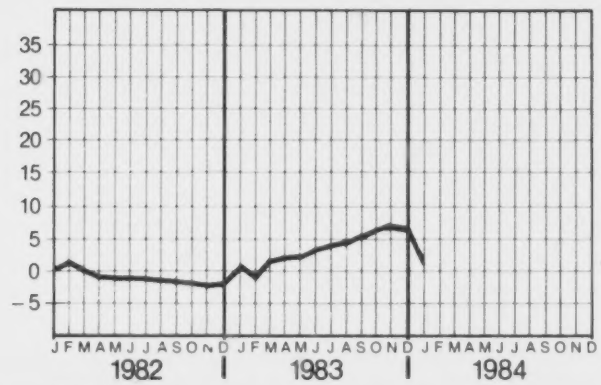
The number of days outstanding on this report are calculated by adding the current month's sales and the previous month's sales and dividing the total by the number of calendar days of the two months. The result is a figure representing average sales per calendar day.

The total figure provided for closing accounts and notes receivable is divided by the average sales per calendar day. The result is the number of days outstanding at the end of the month being prepared.

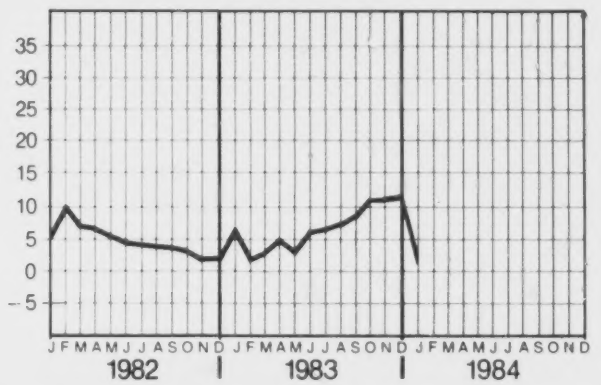
Paper Merchant Sales Report
Summary National Trend Information: 1982 to present

SALES INFORMATION: YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY.

INDUSTRIAL PAPER SALES NATIONALLY

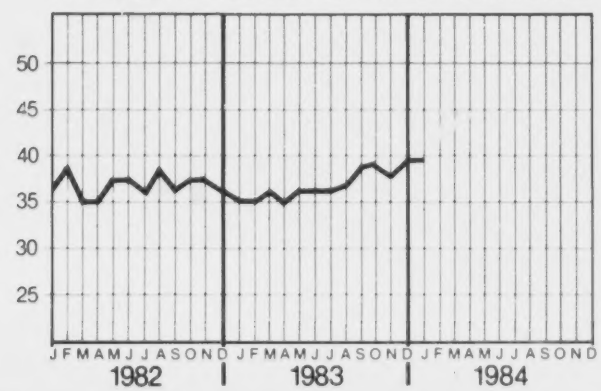


PRINTING PAPER SALES NATIONALLY

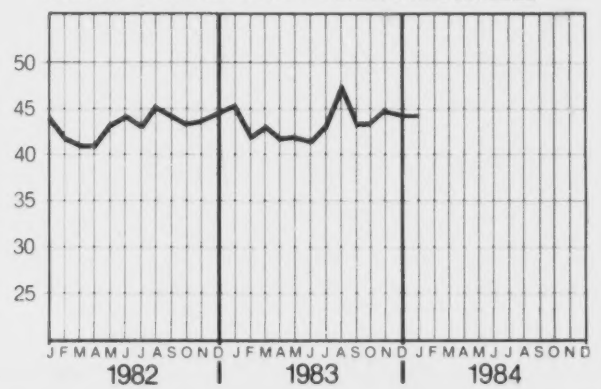


RECEIVABLES INFORMATION: DAYS OUTSTANDING FOR ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



PRINTING PAPER RECEIVABLES NATIONALLY



INVENTORY INFORMATION: CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY

PRINTING PAPER INVENTORY NATIONALLY

Washington Watch

API monitors state legislative activities

As in the past few years, the API state government relations office will subscribe to a computerized state legislative monitoring service in 1984 to track state legislation of importance to the industry.

The monitoring effort has been a staple of API's state government program and has allowed the association to follow specific bills in all 50 legislatures as well as to analyze emerging trends on issues of interest. In addition, API has been able upon request to provide specially tailored information to member companies on state legislation.

The issues that will be monitored during 1984 are those that have a special impact on the paper industry which API member companies have expressed significant interest in the past. Among the legislative issues to be tracked in all states are those relating to packaging, recycling and resource recovery, solid and hazardous waste, groundwater, right-to-know, plant closures, trucking, and specific tax items.

AT&T divestiture and the Yellow Pages

The AT&T divestiture settlement provided that AT&T would be free to manufacture and market computer equipment for the electronic publishing industry and, of course, to continue providing a delivery system for information transmitted by other companies, stated the editors of *Advertising News Review*.

The modification also made clear that AT&T would be permitted to create an electronic Yellow Pages that would list only general product and business categories, service or product providers, and their names, telephone numbers and addresses.

Publishers still fear that the electronic Yellow Pages, with its capacity to provide constantly updated information, may cut into newspapers' advertising revenue. Additionally, the electronic Yellow Pages may ultimately adversely affect printers by reducing the demand for printed advertising directories.

With the shadow of AT&T lifted, printers and others now will be looking more closely at the videotex market, which industry officials estimate will grow to $10-$15 billion by 1990.

How efficient is the post office's delivery of bulk mail?

"Not very" is the latest word from **Postal World** magazine. Industry surveys indicate that more than 10 percent of bulk business mail disappears each and every year.

According to an item reported by the Newsletter Clearinghouse, some bulk mail goes weeks without being sorted, misrouted mail is sometimes discarded, and time-sensitive mail that is out-dated finds its way to the trash can.

More than 200 Postal Service employees have been arrested and charged in the past two years for stealing or dumping mail.

The Post Office is trying to cope with the problem,though. Bulk Mail Centers are receiving $53 million in new sorting equipment. Their goal is to deliver bulk mail items in 10 working days.

NAW appoints Calio to government relations post

Nicholas E. Calio has been appointed to the position of vice president of government relations of the National Association of Wholesaler-Distributors (NAW). He will also assume the responsibility of executive director of WDPAC (Wholesaler-Distributor Political Action Committee).

Mr. Calio's most recent position prior to joining NAW was chief litigation counsel to the Washington Legal Foundation.

Federal Spending on Social Programs for 1982 and 1983 Compared

Function	1982	1983	% change
Farm price supports	11,582	18,882	62.5
Food stamp and other nutrition programs	15,196	17,326	14.0
Farmers Home Adminis tration	3,568	4,303	20.6
Department of Energy	7,577	8,348	10.2
Old Age and Survivors Benefits	134,661	148,642	10.4
Health care programs	82,237	94,697	15.2
Housing assistance programs	8,378	10,026	19.7
Unemployment benefits	27,239	44,698	64.1

Source: *National Association of Wholesaler Distributors*

ASSOCIATION File

Strive for excellence at the '84 NPTA Convention

"Excellence" is defined as **the fact or condition of being superior to, or surpassing, others.** It is these important words that NPTA will use as the core of its Annual Convention and Exposition for 1984. The meeting will be held at Chicago's Hyatt Regency Hotel September 22-25.

The word "excellence" by itself has little meaning until it is used to describe a person, a function, or a company. Paper merchants can "strive for excellence" in 1984 in three ways: as individuals, working together in a company, and as an industry.

People in paper distribution have many opportunities in 1984 to excel. In this olympic year, the spirit of human achievement is again raised before us. Merchants can seize new opportunities to increase their personal contribution to their companies.

The company, as something greater than the sum of the talents of its people, can move ahead in 1984. Growth in the marketplace, more efficient physical distribution, and increased productivity all come from a commitment to excellence which makes the customer take notice.

Paper distribution, as an industry, is greater than the sum of its companies. When representatives come together in Chicago to discuss the gaining of personal and corporate excellence, the industry will be brought forward. The paper distribution industry benefits when the individual or the company excels. It is this momentum which will be generated in 1984. And it is hoped that this year will be remembered for it.

Converting operation available in PA

Paper converting operation in Pennsylvania is available containing sheeting equipment, trimming, slitting, edge trimming, balling and compacting equipment. For a complete detail sheet, contact the NPTA Communications Department.

NPTA 1984-85 fiscal year will launch new projects

With the start of the new fiscal year on March first, your Association will be launching important programs which will impact paper distributors across the country. These services will take the form of new seminars, workshops, conferences, sales aids, and other member services.

The commitment of paper distributors to enhancing their productivity, efficiency and profitability can be seen in the great variety of programs offered by NPTA. And 1984 will offer more.

By now, member companies should have received their dues invoices for the Association's fiscal year. Prompt attention to this will be most appreciated. Should there be any questions, contact Richard J. Lerman, director of marketing and membership services at 516-829-3070. All membership dues are tax deductible.

NPTA
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NPTA

MANAGEMENT NEWS

April, 1984

Highlights

Six firms receive membership in NPTA

Congratulations to American Paper & Twine, Central Paper, Industrial Wiper Supply & Paper, Northern Paper Distributing, Paper & Chemical Supply, and J. Stone & Company. All members, directors and staff welcome them aboard (P. 2)

NPTA launches new quality reporting method

The NPTA Printing Paper Division has just published a quality reporting method to be used by merchants with their printing customers. The new system has been endorsed by Printing Industries of America, the National Association of Printers and Lithographers, and the National Association of Printing Ink Manufacturers. (P. 4)

What's ahead for the maintenance supplies distributor?

Maintenance supplies distributors (who also carry paper products) are looking to the future of their industry. How is their business changing? (P. 5)

Training may answer your personnel productivity question

It is not easy to determine whether training is the answer to the personnel productivity question. There are many factors at work. (P. 6)

Cloth roll towels: Their story just doesn't wash

In Part II and the conclusion of the feature "Paper Towels stack up against the competition," roll cloth towels are successfully challenged by paper. (P. 7)

Physical distribution and the movement of information

Physical distribution in the future may rely as much on the movement of information as the movement of goods. The National Council of Physical Distribution Management survey reported important findings. (P. 11)

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Route To:

News of Paper Trade Activities

Six firms receive membership in NPTA

The National Paper Trade Association welcomes the following industrial paper companies as new members:

American Paper & Twine Company
7149 Centennial Blvd.
Nashville, TN 37209
Robert S. Doochin, President

Central Paper Company Inc.
2524 First Street West
Birmingham, AL 35204
Anthony P. Ross, President

Industrial Wiper Supply & Paper Company
155 Sixth Street
Chelsea, MA 02150
Edward J. Callahan, President

Northern Paper Distributing Company
1711 Rogers Avenue
San Jose, CA 95112
Bernard Fredkin, President

Paper & Chemical Supply Company
207 Frankford Avenue
Sheffield, AL 35660
Jack Muhlendorf, President

J. Stone & Company Inc.
14 Bennett Street
Lynn, MA 01903
Carol Z. Stone, President

All NPTA members, directors and staff wish these new members much success in 1984.

Expansions, name changes

Irving Kapner, president and chief operating officer of the Willmann Paper Company in New York City has purchased a large warehouse in Jersey City, NJ. The facility is located only 1,740 feet from the Statue of Liberty.

Sunclipse, Inc. is the new name for the Kent H. Landsberg Company of Montebello, CA. They will be headquartered in a newly constructed office complex at 1610 S. Greenwood Avenue.

People In The News

Richard A. Reeves has been elected corporate vice president of the Hammermill Paper Company. He will continue to direct the company's CDA Distributors and Industrial Material Distributors Divisions. Mr. Reeves also serves on the NPTA board of directors.

Alfred Eisenberg has become chairman of the board and chief executive officer of Carover Industries of Maspeth, N.Y. **Henry Eisenberg** was named vice chairman and chief financial officer. **Irv Mermelstein** was named president and chief operating officer.

Ronald L. Campbell has been named vice president, human resources at the Blake, Moffitt & Towne headquarters in Brisbane, CA. **James R. Fleming** was named general manager of the company's Los Angeles Division.

Anthony W. Sorge has been elected executive vice president of the D.F. Munroe Company in Wilmington, MA.

Kevin J. McClamroch has been named general manager of the Atlanta facility of Mead Merchants Central Area.

Sol Hyman, vice president of H. Goldman & Sons, Inc. of Philadelphia, PA was elected as president of the Paper Trade Association of Philadelphia.

John E. Evans has been appointed branch manager of Butler Paper Company's Evansville, IN operations. **Thomas Leech, Jr.** was named to the newly created position of marketing manager, industrial papers at the company's headquarters offices in Englewood, CO.

Thomas H. Johnson has been elected president of the Paperboard Division of the Mead Corporation.

James R. Voisinet has been named president and chief operating officer of National Gypsum.

Margaret M. Atwell was elected vice president, sales manager, converted products at Gilman Paper.

John W. Turner has been named senior vice president, marketing at Appleton Papers.

L. Scott Barnard has been elected vice president-sales at Champion International.

Robert H. Boyer has been named vice president, sales for P.H. Glatfelter succeeding **John C. Hildebrand** who retired.

James River: one of five best managed companies in 1983

Dun's Business Month reported on the best managed companies for 1983, and James River was one of the top five in the country. The company has grown from one mill with sales of four million dollars in 1969 to 23 mills, 21,000 employees and $2.2 billion in sales.

With the purchase of American Can's paper products division in 1982, James River's size doubled overnight. Anticipation now is that future acquisitions will only amount to 20% of revenue growth. Founders Brenton Halsey and Robert Williams expect revenues to pass $3 billion in five years with an estimated 20% per year rise in earnings.

New name for Hammermill distribution operation

The Hammermill Paper Company announced that it is changing the name of its Commercial Distribution Associates Division to CDA Distributors.

The division was established in 1977 and now has 18 warehousing locations in seven states and sells food service, packaging and maintenance products.

The companies making up CDA Distributors include: Advance Paper & Chemical, Crown Supply, Harrisburg Paper, Mellocraft, Morris Paper, Reid Paper, Rohner Distributors, Ropak, and Steindler Paper. CDA Distributors is headquartered in Erie, PA and is directed by Richard A. Reeves who is also a member of the NPTA board of directors.

G-P will study building new fine paper machine

A state-of-the-art twin-wire machine may be on the drawing board soon for Georgia-Pacific. The company's board of directors has approved the feasibility study of a new machine which would improve G-P's product mix at one of its existing mill sites.

The company recently initiated a program to rework portions of the Crossett, AR and Palatka, Fl mills for production improvements. This will also increase white paper capacity.

If a new machine is added, it will produce uncoated printing grades for register bond, cut size bond and web offset paper. "We believe the market for these grades will continue to grow through the current decade and beyond," said Robert A. Schumacher, executive vice president, pulp and paper at Georgia-Pacific.

"The trend toward computerized electronic offices has raised demand for such paper significantly," he said.

Great Northern Nekoosa reports gain in paper distribution for 1983

Great Northern Nekoosa reported that net sales amounted to $1.57 billion which was up 9.8% from 1982 sales of $1.43 billion. The company's net income was fixed at $84 million which represents an increase of 7% from the previous year's income of $78.5 million.

GNN operates paper converting and paper distribution companies in addition to primary manufacture. Paper converting and distribution amounted to $506.7 million for 1983 which was a 23.5% increase in sales from the $410.2 million reported in 1982. Income from these operations was a total of $24 million, up 14.3% from the $21 million reported for 1982.

Paper converting at Nekoosa is represented by Nekoosa Envelopes with plants in 10 cities. Approximately 85% of all envelope production is custom printed.

The paper distribution arm of Nekoosa is the Butler Paper Company headquartered in Englewood, CO. They serve 75,000 customers and operate in 58 cities throughout the United States.

1983: A record year for paper production

"Production of paper and paperboard broke through to new highs in 1983. Sparked by strong demand in printing-writing papers, tissue papers and virtually all grades of paperboard, production reached an estimated 64.8 million tons in 1983," report American Paper Institute president Louis F. Laun. This was nine percent above the recession-induced 1982 low and four percent over the previous high reached in 1981.

Because of the widespread use of paper products, overall paper and paperboard demand is sensitive to business cycle changes, although each major sector has its own unique response.

With real GNP rising by 3.3 percent in 1983, total paper production rose by eight percent. Industrial production, showing a six percent recovery, paced a 10 percent increase in paperboard production. As in 1982, the production of paperboard was strengthened by export demand, which showed a strong gain in 1983.

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PRINTING PAPER

A new quality reporting method is launched by NPTA

Three industry trade groups have endorsed the NPTA method

The National Paper Trade Association's Printing Paper Division Committee researched the needs of paper merchants who serve the graphic arts community and discovered that concerns about the quality of a print job often went unresloved. The reason: Lack of hard information for documentation.

The Committee was aided by the National Association of Printers and Lithographers (NAPL), Printing Industries of America (PIA), the National Association of Printing Ink Manufacturers (NAPIM), 35 printing paper manufacturers and other paper merchants in a quest that resulted in the new reporting method. The "Quality Report" form utilizes the collected wisdom of these industry groups to aid printers and their suppliers in documenting printing concerns. These four trade associations endorsed the use of this method in the graphic arts industry.

R.W. Abrams, vice chairman of the NPTA Printing Paper Division and CEO of West Coast Paper in Seattle, Washington said, "The printing paper merchant has a responsibility to provide his customers with paper products that will do the job. There are times when the printer's end-product does not live up to expectations or a problem is encountered along the way.

"Is it the paper? Was it false expectations for that particular paper? Or was it the ink, binding, poor pressmanship, or a combination of factors? Without a good means to collect all the necessary data, how does the merchant or the mill sort out the situation?" Abrams said.

The form itself serves as a guide to the investigation, taking the user through the basic information needed, including: Where and when the problem was discovered, the paper details, printing and ink details, finishing, plant conditions, action taken and disposition. The form itself is an easy-to-use method of evaluation — all on one 8½ x 11 sheet.

"We do not expect the form itself to resolve the situation," said Abrams, "because what it really does is advise the interested parties of the details involved. I wish it would work like a computer: punch in all the data, and out pops the answer.

"This form is really a helpful tool," Abrams added. "Very often, the problem with a print job is complicated and the situation must be documented before the details are lost to time. But, it is the people involved — human beings — who must resolve the printing concern. What we are suggesting with this form is that, if we get better information into the hands of those who need it, there is a better chance that they can make a determination quickly," concluded Abrams.

It is expected that the form will be used primarily by printing paper merchants with their customers. But, all printers are expected to have this form on hand for use when needed.

The National Paper Trade Association is making this form available to its membership as are the other trade groups. Other interested parties and suppliers to the graphic arts community should contact the NPTA Communications Department for more information on the availability of the form.

What's ahead for the maintenance supplies distributor?

Those distributors who primarily sell maintenance supplies (who also carry paper products) are looking to the future of their industry. Reported in the February, 1984 issue of *Maintenance Supplies* magazine are a few examples of changes taking place in this industry:

1. Some suppliers are only selling carload quantities to distributors.
2. Distributors need more physical space for warehousing and operations to achieve their growth plans.
3. The distributor's sales territory is expanding.
4. Distributors are researching new areas to sell sanitary supplies and equipment.
5. Supplier-distributor relations are growing in importance especially in determining the needs of specific markets.
6. Distributors are becoming larger and some may become "national."

1984 will be a big year for industrial advertisers

This year should see a 20% increase in advertising allocations over 1983 levels for industrial marketers, reports the Research Institute of America (RIA). And this will happen, states *Industrial Marketing* magazine at the expense of direct mail advertising.

While space advertising allocations are on the rise, RIA cautions, an increase in inquiries that these advertisements will generate often cause problems for a company. Potential customers must be answered immediately or they will go elsewhere. A plan should be devised to handle a sudden barrage of calls so the company's sales operation will not be thrown for a loop.

Paper distributors who are planning to use advertising more heavily later in 1984 should plan now. Attention should be given to service level and product availability in addition to manpower planning. Advertising can pay off for the paper merchant who is ready for it.

Purchasing managers see strong demand continuing for paperboard and kraft

NAPM, the National Association of Purchasing Management, stated in their February "Commodity Reports" that demand is continuing for industrial paper grades.

Paperboard

Solid bleached sulphate board demand has been good and prices have been steady. Recycled paperboard demand also remained good. Linerboard demand was strong and corrugated box manufacturers were happy about their prospects, stated NAPM. Purchasing managers, though, were concerned about costs in this area.

Kraft papers

Northern natural kraft MF and MG paper users were able to get what they needed. There also was a resurgence in demand for carbonized paper. There has been a price increase in this area.

The lure of the paper container

What is it about paper containers that is generating so much interest? Simply, they represent a 30-50% savings over bottles and cans. That should not be forgotten, but there is more to the story.

Most aseptic packaging does not require refrigeration in shipping and storage. This fact is helping sales climb. Projections for 1984-85, states *Business Week*, are for a 100% increase in the market share of paper packaged fruit juices and fruit drinks. Currently, paper bottles have garnered 5% of the fruit juice and 20% of the fruit drink markets.

It is expected that paper bottles will be getting bigger, too. Planning is underway for a resealable half-gallon package that should be on the market in 1985 and will target milk sales. Soft drinks may be next, experts say, followed by wine.

Industrial Paper

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If training is the question, NPTA has the answer

Training *is not always* the answer to a company's personnel productivity question, but it might be. How does an executive find out?

Answer the following questions:

- Is management receptive to new ideas and technological change?
- Does each employee have a positive attitude toward his or her tasks?
- Do people in the company know what is expected of them?
- Do they understand their jobs?
- Do they know the standards of performance for their jobs?
- Do employees receive feedback from their managers on how they are doing?
- Is success rewarded?

If a paper distribution executive can answer "yes" to each of the questions above, this would indicate that a healthy environment exists in that company. Training, in this case, will have a positive affect on personnel productivity if it is directed at further skill development and increasing job knowledge.

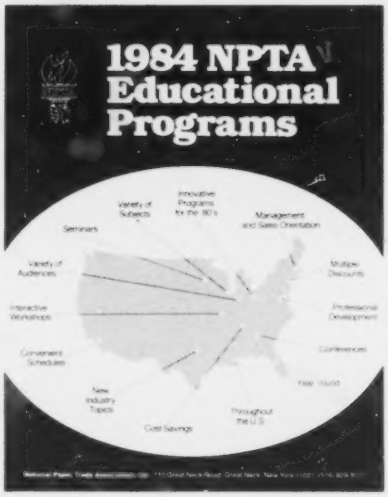
Do something about training now

After assessing paper merchants' needs and interests, NPTA has developed a multi-faceted educational program for 1984. Investment in training now can provide greater personnel productivity, more bottom-line dollars, and a positive impact which will aid the company's performance beyond the rest of this calendar year.

Seminars, workshops and conferences require an investment in time and money. Is it worth it? Like any other investment, the potential return must be great enough to justify the time and expense. NPTA has designed its programs to fill specific training objectives for its members, thus insuring that the sessions presented will provide the expected return.

Structuring success

There are four basic rules to follow when a company invests in training:



1. ensure that a deficit in knowledge and skills is, in fact, the real concern
2. focus on specific applications
3. be sure that the training will be relevant and effective
4. make sure that the training is well integrated in the organization

If these rules are followed, a company will know the reasons for its training commitment. But using training to shore up weak spots in personnel skills may not give an executive the results he or she wants. The reason for this lies not in the training itself, but in the company's goals and objectives.

Goal setting

Use training to meet company goals.

These may be to:

- increase productivity of a specific company function or department
- develop new knowledge skills, understandings or attitudes
- introduce new technology or techniques into the company
- prepare people for advancement or improve manpower development

Company goals may vary, but having specific objectives for the company will help keep training on target. This ensures that the firm gets the most from each dollar invested in the training function.

A variety of programs are offered

Workshops

Workshops are one-day sessions which are highly interactive in nature. These require participation and are usually geared to middle management. *Telemarketing - The Key To Maximizing Your Sales Efforts* is being offered three times this year, as are *Successful Inventory Management For The Wholesale Paper Distributor* and *Dynamic Collection Techniques.*

Seminars

A more in-depth training session is the seminar. These programs are usually geared to middle and top management. These include: *The Keys To Growth As A Sales Manager, Productive Opportunities For Paper Merchants, Compensating Your Marketing Personnel,* and the *Profit Improvement Day* seminar.

Conferences

A conference is a series of workshops and round-table discussions on a particular topic. In 1984, NPTA will hold two conferences: *Trends In Paper Distribution Computerization* and the *Sales Development Conference.*

Professional selling

The *Professional Selling Skills* (PSS) seminars are held on an individual company basis. These programs are designed to give new skills and tools to improve a salesperson's ability to sell. Over 3,000 industry salespeople have been trained by this method. The NPTA Education and Training Department can tailor a program to meet company needs.

The NPTA Education and Training Committee has designed the 1984 training schedule around member needs. Good programs, flexible schedules, reduced rates, and conveniently located makes the NPTA training series a most valuable resource to the paper distribution industry.

Paper Towels Stack Up Against The Competition

Part II:
Cloth roll towels: Their story just doesn't wash

By: Michael D. Shackelford
Washroom Marketing
Business Manager
Commercial Products Division
Scott Paper Company

You've just finished washing your hands and face, and you're ready to go back to work. You walk up to the towel cabinet and...

There, staring you in the face is a piece of soiled, sopping wet and wrinkled material with which you're supposed to dry yourself. You reach in your pocket, pull out your handkerchief, do the best you can with what's at hand, and walk out all a-mutter.

That's one aspect of cloth roll towels. But let's assume you're going to tough it out. You pinch the smallest edge possible, with thumb and finger on either edge of the cloth roll towel, pull it, and draw down the next unused portion.

Relieved, you then dry your hands with a towel which, between you and the pervious users has been washed. It's a little awkward since you dry your hands **where** the towel wants you to, not where you want to, but you succeed in getting your hands dry.

You pull down another length of clean cloth roll towel, bend over to dry your face, trying to avoid hitting your head on the cabinet. If you ever have hit your head, you would probably prefer your handkerchief or, lacking that, your necktie, and do as well as you can to save face and walk out the door. That's another aspect of cloth roll towels.

Or, you stand there dripping wet only to find that the clean portion of the roll cloth has been completely used. Now what do you do? You can use the already used portion or resort to toilet tissue or your handkerchief.

There's not much choice, especially realizing that cloth roll towels don't provide much service between replacements.

Maintenance costs

How amazed these cloth roll towel customers would be if they'd take the time to calculate the **hidden costs** - ignore for the moment the inconvenience and poor appearance - to which they're subjected.

Maintenance, for example, and it is an important example since fully 85 percent of the cost of operating a washroom is labor.

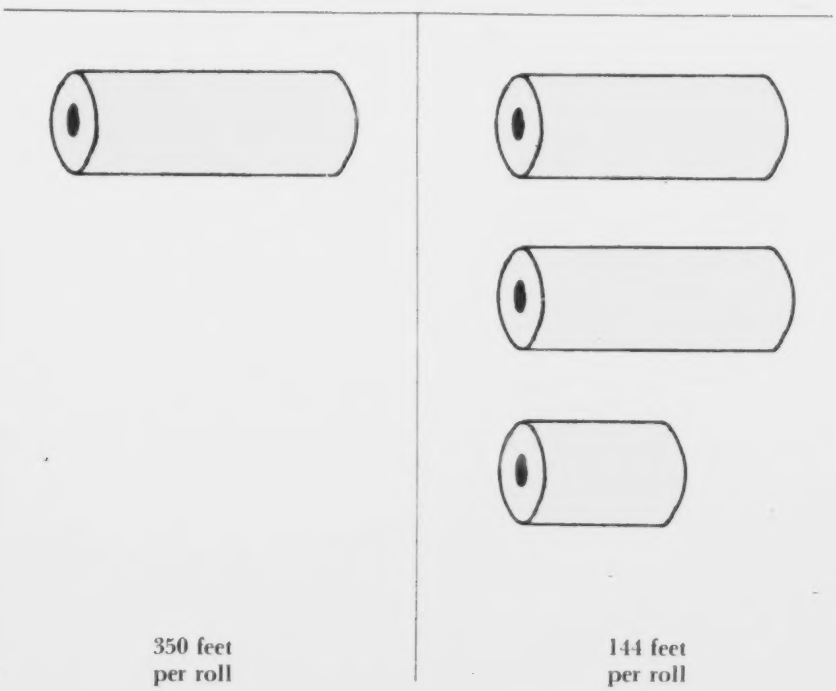
Time-and-motion studies have shown that it requires three minutes of a skilled worker's time to remove a used roll of cloth toweling and replace it with a fresh length. To reload a paper roll towel dispenser - the numbers are based on our studies of a Scott cabinet - requires only 15 seconds. Thus, it takes **12 times longer** to resupply a cloth roll towel cabinet than it does a Scott paper roll towel cabinet.

(Continued on P. 8)

Benefits of Paper Towels Over Roll Cloth Towels

- *saves time*
- *saves money*
- *lower maintenance costs*
- *lower usage costs*
- *better sanitation*
- *easier to use*
- *users prefer paper*

233 Hand dries
Roll length: Paper vs. Cloth
(On Average)



Toss that to your prospect and let him make his own calculations in the context of what he's paying his custodians or janitorial service. But that's just the top of a very deep financial pit.

You pay for 50 yards of cloth, but at best, you are able to use only 48 yards.

Usage costs

When you rent a cloth roll towel, you can figure that it is 50 yards long. But you can't really count on the length because of two factors: One is the "wind up" - you lose a yard of cloth roll toweling to the dispensing/retrieving mechanisms within the cabinet. The second factor is shrinkage. Very conservatively,

Calendar of Events

April

4. Telemarketing - The Key to Maximizing Your Sales Efforts. NPTA workshop in New York City at the Sheraton Inn at LaGuardia Airport.

26. Dynamic Collection Techniques. NPTA workshop at the Radisson South Hotel in Minneapolis, MN.

30. Profit Improvement Day. NPTA seminar at the Colony Square Hotel in Atlanta, GA.

May

17. The Graphics Gala. Part of Printing Industries of Metropolitan New York Graphic Arts Exhibition. Grand Hyatt Hotel, New York City.

Sales and Time Management Training

Professional Selling Skills III (PSSIII) and Managing Time and Territory III (MTTIII) on-site training may be arranged on an individual company basis. Flexible time and pricing schedules are available. Contact the NPTA Education and Training Department.

another yard of cloth roll toweling goes on the debt side when it's washed.

You pay for 50 yards of cloth, but at best, you are able to use only 48 yards. You're left with 1728 inches of usable cloth roll toweling. Now, figure that on average somebody drying his hands and face will use 18 inches of cloth. The mathematics of it all say that each roll of cloth toweling is good for 96 dries.

So, is that bad? Yes, it is and here's why. Most paper roll towel dispensers carry a standard length of 4,200 inches, which is over 233 dries if we continue to use the 18 inches per dry factor.

...it requires up to 29 times more manpower to keep a cloth towel cabinet filled than it does a paper roll towel dispenser.

That's over **2.4 times** the capacity of a cloth roll towel cabinet. But let's be conservative and simply figure that for every time you must refill a paper roll towel dispenser, you must unload and reload a cloth roll towel dispenser 2.4 times.

Again, think of maintenance costs: for every hour required to service a roll towel cabinet, the cloth roll towel user must pay for 29 hours of a maintenance man's time. (A paper roll carries 2.4 times the material and cloth rolls take 12 times longer to change.)

What that means is that it requires up to *29* times more manpower to keep a cloth towel cabinet filled than it does a paper roll towel dispenser. (Larger paper roll cabinets are available that increase both savings and reduce labor costs further.) Add that to your own calculation of the relative cost per dry of the two different toweling systems - cloth and paper - and your economic arguments are doubly persuasive.

(Continued on P. 10)

Chairman's Corner

Regional Merchant Associations

LIONEL ELTIS
NPTA's Chairman of the Board

One of the more pleasant tasks I have assigned myself during my tenure as chairman of NPTA has been to attend regional paper trade association meetings. My purpose for this is three fold.

First, I want to bring the message of NPTA activities to the industry. Since at least 70% of all regional association members are also members of NPTA, my attendance is productive.

The second part of this is that it gives me an opportunity to hear from the industry. I do want the opinions, comments and suggestions about what NPTA should be doing.

And finally, my visits to regional trade groups shows NPTA support of their worthwhile activities. NPTA supports their actions because these associations perform a vital function for the paper distribution industry. I just returned from trips to two long-standing groups: The Southwestern Paper Merchants Association and the Paper Trade Association of Philadelphia. I am happy to report that these groups are healthy and strong.

Someone might ask why they should belong to both national and regional associations. Is there a duplication of benefits? I say no. There are different services to be provided by each group.

Some regionals perform local labor negotiating and provide credit exchange information. Most regional associations conduct surveys of local business customs, such as holidays, vacations, salaries, etc.

One of the most important functions handled by the 14 regional groups is education. Each has at least two meetings each year where management related topics are discussed. This affords paper merchants a chance to improve their skills or the skills of their people with a minimum of travel and expense.

Regional associations also provide a forum where paper merchants and suppliers can discuss the industry issues of the day in a legal, controlled way. The social opportunities to meet away from the place of day-to-day business enhances the depth and quality of the educational and informational exchange among members of the trade.

I appreciate and support the efforts of the regional paper trade associations and encourage them to expand their membership service packages. If you are not a member of a regional group, I urge you to find out what they have to offer. If you are a member already, participate in order to gain the maximum value for your membership investment.

Maintenance cost example

Let's use the example reported in Part I: A company with 500 employees. The custodian must maintain the washroom with toweling. Assume that the pay scale is $7 per hour for custodial service.

If each person visits the washroom four times each day, this means that the employees use 36,000 inches of drying material each day. If there are 24 towel dispensers, it means that approximately 11,500 inches of material will be used each day in each cabinet.

For the custodian, this requires him to change cloth rolls in each cabinet almost once each day, but for paper, resupply happens about once every three days. And remember, roll cloth takes 12 times longer to service.

For 240 working days each year, it actually comes out to **nine** hours of labor total for roll paper compared with **261** hours for roll cloth. That's $63 per year for paper in our example, compared with $1,827 for roll cloth. A major difference!

The sanitation question

Equally strong is the problem of sanitation. A 1968 study appearing in the *American Journal of Public Health* has a few things to say about that. For example, it notes that "...paper towels have substantially fewer, recoverable, viable bacteria on them than cloth towels of the continuous type..."

Then the *Journal* article concludes after several statements in the same vein that "...from public health and aesthetic standpoints, paper towels are superior to cloth towels, as dispensed or made available in the United States today."

There is little to suggest that things are different today, nor that an independent study conducted for Scott some years ago at the Philadelphia International Airport is not still valid. Reported the researchers: Paper towels were preferred *five-to-one* among both men and women.

Of course, we already *knew* that.

Maintenance Manpower:
Roll Towels - Paper vs. Cloth

Physical distribution in the 1980's may rely on the movement of information

The National Council of Physical Distribution Management (NCPDM) of Oak Brook, Illinois is a professional organization of 4500 business persons sharing an interest in transportation, warehousing, material handling and related fields. In 1983, NCPDM applied the "Delphi" survey technique to develop a prioritized list of expected trends impacting distribution now and into the 1990's. This Delphi method projects future trends based on the experience and perceptions of industry leaders.

The study, performed over several months, asked a panel of 100 leading thinkers in business management (manufacturers, merchandisers, carriers warehousers, consultants, educators) to respond to a list of open-ended questions, such as: "What do you see as the economic, social, business and other environmental trends that will have an important impact on physical distribution by 1990?" This group was also asked to identify today's important business issues that will be of little or no concern in 1990, and issues expected to be significant by that time that are unimportant today.

In the study's second phase, unstructured data from respondents was converted to trend statements, and then ranked in order of potential impact and importance. The goal was to reach a consensus about key trends over the next few years. Once these key trends were identified, the panel was asked to project a list of the 20 most important ones affecting distribution professionals through 1990.

Several categories of trends emerged - namely:

1) Computer-Based Information
2) Domestic Economics
3) Tactics and Strategies

Following is a summary of the key trends identified within these major categories...

Computer-Based Information

- Better decision-making resulting from improved computer-based information: Leading organizations will become more sophisticated in data management. (96.7% of panelists agree).
- Increased productivity resulting from automation and computerization: Opportunity exists to lower costs *and* improve service. (91.8% agree).
- Improved control via increased computer-to-computer interfaces: More control is inevitable in areas such as order entry, warehouse information and carrier tracing. (91.8% agree).
- *Information* will replace inventory as a supply/demand buffer: Inventory investment will be increasingly challenged. (88.5% agree).
- Increased use of personal computers: The ability to perform fast, accurate "what-if" analyses will be important. (91.8% agree).

Domestic economics

- New capital formation is needed for modernization of facilities and plants: National policies must provide more incentive for capital formation. (93.4% agree).
- A shift in the economic base from smokestack industries to high-tech services: Panelists debated whether the trend was beginning or nearly over. (90.2% agree).
- There will be slow economic growth with relatively low inflation - under 6%. (60.7% agree).
- The labor force will become more knowledgaeble and better-trained: Business will demand expanded education and professional development programs to meet trends in computers and international competition. (68.9% agree).
- Population concentration will continue to shift from Northeast to Sunbelt: This will have relatively small impact on distribution management in most companies. (72.1% agree).

Tactics & Strategies

- Multi-modal, full-service transportation companies will emerge: With improved data about product movement, shippers can negotiate package deals more effectively. (88.5% agree).
- Increased emphasis will be put on strategic planning: Fully integrated systems must be planned and implemented to exploit business opportunities. (82% agree).
- Federal Government regulation of transportation will continue to decline. (78.7% agree).
- Retail and wholesale inventories will be reduced through increased use of direct delivery: Better data systems, combined with cross-dock-type arrangements, will stimulate direct delivery networks. (67.2% agree).

Summary

These key trends suggest that distribution managers must:

1) be prepared to make full, creative use of information technology

2) assume a responsible role in promoting international distribution expertise

3) plan effectively to deal with and optimize the social, economic and political changes impacting distribution.

Chief among the implications of the Delphi study is the assertion that distribution managers must prepare themselves to take advantage of the information revolution. Logistics managers and staff, as well as top and middle management, must become computer-competent. In logistics, there is little choice but to embark upon dynamic professional development programs if all levels of distribution management and staff are to keep pace.

NPTA realizes that the NCPDM does not deal specifically with the paper distribution business, but the findings of this survey are discussed here as potentially useful information, applicable to the distribution field overall of which the paper merchant is a participant.